

Message Text

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61

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

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POUCHED TO ALL CONSULATES IN CANADA FOR INFO

E.O. 11652: N/A

TAGS: ELAB, CA

SUBJ: GOC'S PROPOSAL ON WAGE-PRICE RESTRAINTS

BEGIN UNCLASSIFIED

1. MAY 5 EDITION TORONTO STAR PUBLISHED HIGHLIGHTS OF WORKING DOCUMENT PREPARED BY FINANCE MINISTER CONTAINING GUIDELINES FOR VOLUNTARY WAGE AND PRICE RESTRAINTS WHICH WERE SUBMITTED TO BUSINESS AND LABOR LAST WEEK. CANADIAN LABOUR CONGRESS (CLC) OFFICIAL CONFIRMED GENERAL ACCURACY OF PROPOSED GUIDELINES. FOLLOWING ARE MAJOR FEATURES CONTAINED IN DOCUMENT:

A) MAXIMUM INCREASE IN WAGES, SALARIES AND PROFESSIONAL INCOME SHOULD BE KEPT TO 12 PERCENT OR C\$2,400 INCREASE, WHICHEVER IS LESS, FOR ONE YEAR STARTING JULY 1. GROUPS HAVING EXCEEDED AVERAGE INCREASES (PRESUMABLY 12 PERCENT ANNUALLY) DURING PAST TWO YEARS WOULD BE LIMITED TO 8 PERCENT. LATTER FIGURE IS BASED ON GOC PROJECTION THAT CONSUMER PRICE INDEX WILL ALSO RISE ONLY 8 PERCENT IN YEAR FROM JULY 1974 THEREBY AVOIDING LOSS IN PURCHASING POWER.

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B) PRICE RISES WOULD BE LIMITED TO AMOUNTS SUFFICIENT

TO COVER INCREASES IN COSTS.

C) PROFITS WOULD BE ALLOWED TO RISE BASED ON HIGHER
SALES VOLUME WITH FREEZE ON PROFIT MARGINS.

D) PRICES PAID TO FARMERS AND FISHERMEN WOULD BE
EXEMPT BUT FOOD WHOLESALERS AND RETAILERS WOULD BE HELD
TO SAME CRITERIA AS OTHER BUSINESS ENTERPRISES.

E) INTEREST RATES AND DIVIDENDS WOULD BE EXEMPT.

F) PROVINCES WOULD BE ENCOURAGED TO SEEK RESTRAINTS
ON RENTS.

G) EXPORTS WOULD BE EXEMPT.

H) A MONITORING BOARD WOULD ADMINISTER THE PROGRAM,
RELYING ON PUBLICITY FOR RESPECTING GUIDELINES BUT
WOULD NOT HAVE ENFORCEMENT AUTHORITY. END UNCLASSIFIED.

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2. COMMENT: PUBLIC DISCLOSURE OF THIS DOCUMENT COMES AT
UNFORTUNATE MOMENT JUST PRIOR TO MAY 7 MEETING OF ALL
CLC AFFILIATED UNIONS IN TORONTO CALLED SPECIFICALLY TO
CONSIDER FINANCE MINISTER PROPOSALS. SENIOR CLC LEADERS
HAVE PRIVATELY EXPRESSED THEIR CONCERN ABOUT LARGE WAGE
DEMANDS BY RANK AND FILE TRANSLATED USUALLY INTO
INFLATIONARY SETTLEMENTS, BUT CLC LACKS EFFECTIVE MEANS TO
PERSUADE AFFILIATES TO MODERATE CURRENT TREND AS LONG AS
INFLATION REMAINS IN TWO-DIGIT RANGE AND OTHER SECTORS OF
ECONOMY SHOW LITTLE OR NO RESTRAINT. IN WAKE OF RECENT
SETTLEMENTS IN PUBLIC SECTOR THAT HAVE PROVIDED ROUGHLY 15
PERCENT ANNUAL WAGE INCREASES, A 16 PERCENT RISE IN AVERAGE
BASED RATES NEGOTIATED DURING FIRST QUARTERS OF 1975 AND
33 1/3 PERCENT SALARY INCREASE THAT PARLIAMENT JUST
VOTED ITSELF, UNIONS NEGOTIATING LATER THIS YEAR,
SUCH AS STEEL AND PAPER WORKERS, WILL ALSO INSIST ON
SETTLEMENTS THAT CONTAIN CATCH-UP FOR LOSSES IN
REAL EARNINGS DURING LAST CONTRACT PLUS SOME GUARANTEE
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AGAINST EROSION OF PURCHASING POWER DURING LIFE OF NEW
CONTRACT. MAY 7 CONFERENCE OF TRADE UNION LEADERS IS
NOT LIKELY TO ACCEPT PROPOSED GOC GUIDELINES IN THEIR
PRESENT FORM. BEST THAT CAN BE EXPECTED IS EXPRESSION
OF INTEREST IN FURTHER DIALOGUE WITH GOVERNMENT THAT
WOULD ENCOMPASS NOT ONLY MAGNITUDE OF WAGE SETTLEMENTS,
BUT OTHER ELEMENTS SUCH AS PRICES, PROFITS, HOUSING
COSTS, DIVIDENDS AND INTEREST RATES AS WELL.

LEARY

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Margaret P. Grafeld
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